PRESS RELEASE

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STUDY FINDS THAT SMALL CAPS AND OTHER ASSET CLASSES CAN'T MATCH REIT DIVERSIFICATION

Washington, D.C.—Adding real estate investment trusts (REITs) to a wide selection of diversified portfolios—including those with expanded investment choices—boosted compound annual total returns by 50 to 60 basis points annually when compared with non-REIT portfolios from 1988 through 2004, according to a recent analysis by Ibbotson Associates.

Ibbotson, a leading authority on asset allocation, was commissioned by the National Association of Real Estate Investment Trusts® (NAREIT®) to update its widely recognized work of 2001 by including additional asset classes not previously considered, including small and mid-cap stocks, emerging market stocks, high-yield bonds and investment-grade corporate bonds.

"In all cases, REITs were included in the most efficient portfolios of highest returns and lowest risk, suggesting that these other asset classes are not effective substitutes for the diversification power that REIT stocks can provide," explained Michael R. Grupe, NAREIT's senior vice president for research and investment affairs.

The Ibbotson analysis uses widely recognized mean-variance optimization to demonstrate that REITs can raise the return and lower the risk of a wide range of multi-asset portfolios. For example, REITs can add significant diversification benefits to today's 401(k) plans, which often include no real estate investment choices.

Since 1992, the correlation of equity (property-owning) REIT returns with the returns of other stocks and bonds has declined significantly. "In particular, Ibbotson documented low to moderate correlation of returns from REITs and small-cap stocks, suggesting that small caps are not substitutes for the diversification benefits of REITs," Grupe said.

(more)

Ibbotson's analysis highlighted two fundamental aspects of REIT returns: high, stable current income and moderate, long-term price appreciation that protects investors against inflation and preserves capital over long investment horizons. Across the spectrum of portfolio risk and return, REITs are used to build the highest return portfolios.

Allocating 20 percent to REITs in Ibbotson's sample portfolios both increased the total return and lowered overall risk, according to Grupe. "Equity and fixed-income investors alike can improve their long-term investment performance by adding real estate stocks to their portfolios," he said.

"REITs are worth investigating as an addition to many types of diversified portfolios," Grupe concluded. "And Ibbotson also found that small-cap stocks and other asset classes are no substitute for the diversification power and dividends provided by REITs."

Ibbotson's groundbreaking 2001 analysis has been hailed by individual and institutional investors alike and referenced in dozens of news stories. As The Motley Fool reported, "… a study by Ibbotson Associates comes in handy. Adding REITs to a portfolio not only increases returns, but it reduces volatility."

Copies of a NAREIT brochure highlighting the findings may be purchased by visiting http://estore.nareit.com/source/Orders/index.cfm?section=Orders.

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